

# Office of the Special Deputy

The Director of Insurance as statutory conservator, rehabilitator, or liquidator of companies subject to the provisions of Articles XIII and XIII ½ of the Illinois Insurance Code, has appointed, pursuant to the authority in Article XIII, a Special Deputy as his agent to direct the affairs of such companies in receivership.

The Director, through his Special Deputy, takes the following alternative courses of action, depending on the type of court order that is issued against a company:

1. Pursuant to an Order of Conservation, the Director takes possession of the property, business and affairs of a company to protect the interests of policyholders and other creditors, and proceeds to ascertain the condition and situation of the company.
2. Pursuant to an Order of Rehabilitation, the Director is vested with title to all property, contracts and rights of action of the company. He proceeds to conduct the business of the company and to take appropriate steps, if possible, to remove the causes and conditions which made rehabilitation necessary.
3. Pursuant to an Order of Liquidation, the Director is also vested with title to all property, contracts and rights of action of the company. Upon entry of the court order, he proceeds immediately to liquidate the property, business and affairs of the company, to marshal assets, and to evaluate the claims asserted against the company in order to make a distribution of assets as soon as possible to policyholders and other creditors.

For Illinois domiciled or licensed insurers placed into liquidation, the Illinois Insurance Guaranty Fund, the Illinois Life and Health Insurance Guaranty Association, and the Illinois Health Maintenance Organization Guaranty Association are mandated by statute to respond to the covered claims up to certain statutory caps. Similar funds and associations exist in most other states for similar purposes. The claims of policyholders of unauthorized, illegal or unlicensed insurers are not generally afforded this protection.

Following are brief reports of each active company as of December 31, 2001, as well as a combined statement of cash receipts and disbursements for each company.

## **AAI Syndicate #1, Ltd.**

An Order of Conservation was obtained against AAI Syndicate #1, Ltd. on February 2, 1999. An Agreed Order of Liquidation was entered on February 9, 1999. A member of the Illinois Insurance Exchange (a/k/a INEX), AAI is a wholly owned subsidiary of AAI Holdings Ltd., which in turn is principally owned by CMA Holdings.

The claims filing deadline was February 9, 2000, with a contingent claim date of February 9, 2001. A total of 10,770 proof of claim forms were mailed to potential claimants and 2,225 have been filed with the liquidator.

The outcome of the litigation referenced in the "Geneva Assurance Syndicate" section of this report will be an important factor in determining the amount of funds available for distribution to AAI claimants.

### **Agora Syndicate, Inc.**

An Order of Conservation was obtained against Agora Syndicate, Inc., on September 14, 2000. An Order of Liquidation was entered on November 15, 2000. A member of the Illinois Insurance Exchange (a/k/a INEX), the company is owned by MARL III, a holding company.

The receivership proceedings were adversarial, with Agora contesting the finding of insolvency and the Complaint for Liquidation. The Order of Liquidation was entered over their objections. The company lost both its appeal to the Illinois Appellate Court and its petition for rehearing. Subsequently, the petition for leave to appeal to the Illinois Supreme Court was denied.

The claims filing deadline was November 15, 2001, with a contingent claim date of November 15, 2002. A total of 2,776 proof of claim forms were mailed to potential claimants and 558 have been filed with the liquidator.

The outcome of the litigation referenced in the "Geneva Assurance Syndicate" section of this report will be an important factor in determining the amount of funds available for distribution to Agora claimants.

### **Alliance General Insurance Company**

An Agreed Order of Liquidation with a Finding of Insolvency was entered against Alliance General Insurance Company on January 7, 2000. This domestic property and casualty company is a wholly owned subsidiary of Alliance Insurance Group, Inc.

The claims filing deadline was January 8, 2001, with a contingent claim date of January 9, 2002. A total of 12,410 proof of claim forms were mailed to potential claimants and 4,849 have been filed with the liquidator.

In July of 2001 the liquidator filed a complaint in the Circuit Court of Cook County against certain former officers, directors and owners of Alliance, as well as the outside auditors, alleging fraud and negligence.

### **Alpine Holding Company, a/k/a Transco Syndicate #1, Ltd.**

On March 18, 1999, Alpine Holding Company (a/k/a Transco Syndicate #1, Ltd.) was placed under an Agreed Order of Conservation. Alpine Holding's subsidiary, Alpine Insurance Company, had been placed in Conservation on January 8, 1999. The ultimate parent of both entities is Exstar Financial Corporation.

Alpine Holding was a member of the Illinois Insurance Exchange (a/k/a INEX), but on December 31, 1996, it withdrew from the Exchange and its assets and liabilities were transferred to Alpine Insurance Company. The conservation expressly stays direct actions which name Alpine Holding as a party defendant and accords the Receiver the protection of Section 209 (8) of the Illinois Insurance Code with respect to any judgments which may be taken against insureds under policies issued by Alpine Holding.

### **Alpine Insurance Company**

On January 8, 1999, Alpine Insurance Company, a domestic property and casualty company, was placed under an Agreed Order of Conservation. The company's direct parent is Transco Syndicate #1, Ltd., while the ultimate parent is Exstar Financial Corporation. Transco, a former member of the Illinois Insurance Exchange (a/k/a INEX), was placed in conservation on March 18, 1999. On June 28, 2000, an Order of Liquidation with a Finding of Insolvency was entered against Alpine.

This receivership was adversarial. In both the Circuit Court of Cook County and the Illinois Appellate Court, Alpine lost in its attempts to seek review of both the liquidation order and an earlier order granting summary judgment in favor of the Director with respect to the illegality of Alpine's Proposed Plan of Rehabilitation. Alpine appealed those issues to the Illinois Supreme Court, and on April 4, 2001, the court denied the petition for leave to appeal filed by Alpine's former management.

The claim filing deadline is May 6, 2002, with a contingent claim date of May 6, 2003. A total of 9,472 proof of claim forms have been mailed to potential claimants and none have yet been filed with the liquidator.

A complaint was filed in the U.S.D.C. Northern District of Illinois, alleging breach of fiduciary duty and conversion. Discovery has not yet begun.

### **American Health Care Providers, Inc.**

An Order of Conservation was entered against American Health Care Providers, Inc. and its parent American Unified Life and Health Company on February 12, 2000, by the Circuit Court of Cook County, Illinois. After a series of hearings, adversarial in nature, an Order of Liquidation with a Finding of Insolvency was issued on May 11, 2000. The company was incorporated on October 30, 1982, and certified as a Health Maintenance Organization (HMO) on January 13, 1984. American Health Care Providers is a wholly owned subsidiary of American Unified Life and Health Company, which is in turn a wholly owned subsidiary of the First American Group of Companies.

The claim filing deadline was November 12, 2001. A total of 93,025 proof of claim forms have been mailed to potential claimants and 518 have been filed with the liquidator. Early access distributions totaling \$1,158,433 have been made to the Illinois HMO Guaranty Association for both administrative expenses and claim benefits.

A complaint was filed by the liquidator against the owners of the company, alleging breach of fiduciary duty, mismanagement and conversion. A settlement was reached for \$3,000,000, which was divided between the estate and a secured creditor.

### **American Mutual Reinsurance Company**

American Mutual Reinsurance Company, a domestic mutual insurance company, consented to an Order of Rehabilitation issued by the Circuit Court of Cook County, Illinois, on February 22, 1988. The company operated exclusively as a professional reinsurer of risks written primarily by other mutual insurance companies since its inception in 1941. The company is owned by its reinsured treatyholders, many of which are also retrocessionaires in the company's reinsurance pool. The company has no direct policyholders.

The supervising court entered an order on September 6, 1988, approving the Amended Plan of Rehabilitation for American Mutual Reinsurance Company. The Amended Plan contemplated the payment, in cash, of a fixed percentage of all outstanding claims presented in the ordinary course of business and payment of the remainder by interest bearing surplus drafts. The Amended Plan provided for progressive periodic increases to the cash portion of the payment formula and a corresponding redemption of the surplus drafts.

The first payment under this Amended Plan was made on February 15, 1989. Through 2001, 52 distributions have been made, totaling \$233 million in cash and cash offsets, and the remaining \$152 million in surplus drafts.

Consistent with favorable experience to date, the rehabilitator determined it was in the best interest of all concerned to accelerate the claims and adjudication process and wind up the estate. On December 21, 2001, the Supervisory Court entered an order approving the Second Amended Plan of Rehabilitation for American Mutual Reinsurance Company. The rehabilitator shall continue making quarterly distributions from general assets on allowed claims pursuant to the formula for payment (presently, 49.25% cash and 50.75% surplus draft), and to issue quarterly billings as was done under the First Amended Plan.

### **American Unified Life and Health Company**

This domestic life, accident and health company, along with its subsidiary, American Health Care Providers, Inc., was placed under an Order of Conservation by the Circuit Court of Cook County, Illinois, on February 2, 2000. An Agreed Order of Liquidation with a Finding of Insolvency was entered against the company on June 27, 2000.

American Unified is owned by the First American Group of Companies. The claims filing deadline was December 27, 2001. A total of 86,370 proof of claim forms have been mailed to potential claimants and 160 have been filed with the liquidator.

### **Associated Physicians Insurance Company**

An Agreed Order of Liquidation with a Finding of Insolvency was entered against Associated Physicians Insurance Company on August 16, 2001. This domestic property and casualty company is a wholly owned subsidiary of Associated Physicians Capital, Incorporated.

The claim filing deadline is January 6, 2003, with a contingent claim date of January 6, 2004. A total of 118 proof of claim forms were mailed to potential claimants and 6 have been filed with the liquidator.

### **Back of the Yards Risk Management Association, Inc.**

The Association was organized in 1993, pursuant to the Illinois Workers' Compensation Act and Section 305 of the Illinois Insurance Code, for the purpose of administering a program of group self-insurance for workers' compensation loss exposures for selected members of the Back of the Yards Neighborhood Council, Inc. The Association was placed in conservation by a court order entered April 21, 1999. An Agreed Order of Rehabilitation was entered on December 20, 1999. On January 22, 2001, the Association was placed in liquidation.

The claim filing deadline is January 22, 2002, with a contingent claim date of January 22, 2003. A total of 3,408 proof of claim forms have been mailed to potential creditors and 271 have been filed with the liquidator.

Contractual assessments have been issued by the liquidator to all members of the Association in order to fund the Association's outstanding claim and policy obligations. Litigation has been required to collect the assessments from many of the Association's members. That litigation is proceeding in various Illinois state courts.

The State of Illinois has also issued a statutory assessment against members of the Association.

## **Centaur Insurance Company**

Centaur Insurance Company, a domestic property and casualty insurance company, consented to an Agreed Order of Rehabilitation issued by the Circuit Court of Cook County, Illinois, on September 4, 1987. The rehabilitator's Revised Plan of Rehabilitation was entered by the Supervising Court on May 13, 1988. The company is a wholly-owned subsidiary of Borg-Warner Securities Corporation.

The rehabilitator has paid \$53,331,037 in direct claims and related loss adjustment expenses. On August 16, 1999, the Supervisory Court approved a plan for the rehabilitator to pursue policy buy-backs with insureds. As such, agreement was reached with 20 insureds for total settlements of \$12,076,099, resulting in a net savings to Centaur of \$20,102,432.

As part of the plan to wind down the rehabilitation proceedings, a Second Revised Plan of Rehabilitation was developed and approved in court. The court also entered a second order setting claim filing procedures and setting a claim filing deadline of March 30, 2001, with a deadline of October 1, 2001, for proving up contingent claims. A total of 31,044 proof of claim forms were mailed and 1,902 were timely filed with the liquidator.

## **Coronet Insurance Company**

On December 10, 1996, an Order of Conservation was obtained against Coronet Insurance Company, as well as two of its subsidiaries, Crown Casualty Company and National Assurance Indemnity Company. On December 24, 1996, Coronet was declared insolvent and an Agreed Order of Liquidation was entered. Coronet, a domestic property and casualty company, is a wholly owned subsidiary of Normandy Insurance Agency, Inc. of Chicago.

The claim filing deadline was December 24, 1997, with a contingent claim date of December 24, 1998. A total of 104,912 proof of claim forms were mailed, of which 18,989 were filed with the liquidator. Distributions totaling \$146,952 have been made to the Florida Insurance Guaranty Fund for reimbursement of administrative expenses and claim benefits.

On December 8, 1998, the liquidator filed a federal RICO complaint in the U.S.D.C. Northern District of Illinois, against certain former officers and directors of Coronet. Settlement agreements totaling \$5.2 million have been reached with five defendants and two additional parties.

## **Crown Casualty Company**

Crown Casualty, a domestic property and casualty company, and a member of the Coronet Insurance Group, was ordered into conservation on December 10, 1996. On January 31, 1997, an Order of Liquidation was entered. This was not an agreed order, but rather a non-contested default. Crown is a wholly owned subsidiary of National Assurance Indemnity Company, which in turn is owned by Coronet Insurance Company. National Assurance and Coronet were also placed in conservation on December 10, 1996. Coronet was placed in liquidation on December 24, 1996, while NAIC's liquidation date was January 3, 1997.

The claim filing deadline was February 2, 1998, with a contingent claim filing date of January 31, 1999. A total of 8,380 proof of claim forms were mailed, of which 1,021 were filed with the liquidator. Early access distributions of \$56,242 have been made to the Illinois Insurance Guaranty Fund for administrative expenses.

### **Delta Casualty Company**

This domestic property and casualty company was placed under an Order of Liquidation with a Finding of Insolvency on December 4, 2001, by the Circuit Court of Cook County, Illinois.

The claim filing deadline is December 4, 2002, with a contingent claim date of December 4, 2003.

### **Edison Insurance Company**

Edison Insurance Company, a domestic property and casualty company, was placed under an Order of Conservation on November 14, 1990. An Agreed Order of Liquidation with a Finding of Insolvency was subsequently issued on February 20, 1991.

Edison is a wholly-owned subsidiary of Quantex Financial Corporation, a New Jersey financial holding corporation.

A 100% distribution was made at level A, in the amount of \$5,579,365. A 15.0679% pro rata distribution was made to the policyholders, in the amount of \$3,634,443. The estate was closed on February 23, 2001.

### **Equity General Insurance Company, in Liquidation**

Equity General Insurance Company, a domestic fire and casualty company, was placed under an Order of Conservation by the Circuit Court of Cook County, Illinois, on November 3, 1989. The company is a wholly owned subsidiary of Vincent Nuccio Holding Company. On November 20, 1989, an Order of Liquidation with a Finding of Insolvency was entered against the company. This was not an agreed order, but rather a non-contested default.

The claims filing date was November 20, 1990. The contingent claims date was November 20, 1991. Approximately 12,622 proof of claim forms were mailed. Of those, 2,120 have been filed with the liquidator. Early access distributions of \$8,474,736 have been made to various guaranty funds, for both administrative expenses and claim benefits.

### **First Oak Brook Corporation Syndicate**

First Oak Brook Corporation Syndicate was placed in conservation on September 20, 1996, at the request of the Board of Trustees of the Illinois Insurance Exchange (a/k/a INEX) and First Oak Brook. On November 12, 1996, the Cook County Circuit Court granted the liquidator's petition for liquidation of this company, which is a member of INEX. This was not an agreed order, but rather a non-contested default. The Syndicate is a wholly owned subsidiary of United Financial Holdings, Inc., an Illinois holding company, which in turn is owned by United Financial Group, Inc. of Illinois.

The claims filing deadline was November 12, 1997, with a contingent claim date of November 12, 1998. A total of 39,969 proof of claim forms were mailed, of which 11,161 were filed with the liquidator.

The outcome of the litigation referenced in the "Geneva Assurance Syndicate" section of this report will be an important factor in determining the amount of funds available for distribution to First Oak Brook claimants.

### **Geneva Assurance Syndicate, Incorporated**

An Order of Conservation was obtained against the Geneva Assurance Syndicate, Inc. on May 17, 1996. A member of the Illinois Insurance Exchange (a/k/a INEX), Geneva was placed into liquidation on July 11, 1996, by an Agreed Order of Liquidation. Geneva is a wholly owned subsidiary of the United Southern Assurance Company (Melbourne, FL), currently in liquidation, and JBW and Company, Inc. (Concord, CA).

The claim filing deadline was July 11, 1997, with the contingent claim date being July 13, 1998. Of the 11,716 proof of claim forms mailed, 2,036 were filed with the liquidator.

A civil RICO complaint was filed against certain former directors, officers and affiliated companies. Settlements have been reached with all defendants. The liquidator is also involved in litigation with the INEX Guaranty Fund, which will determine the amount of funds available for distribution to the claimants of not only Geneva, but also the other syndicates in liquidation.

### **Illinois Earth Care Workers Compensation Trust**

The Trust was organized in December 1992, pursuant to the Illinois Workers' Compensation Act and Section 305 of the Illinois Insurance Code, for the purpose of administering a program of group self-insurance for workers' compensation loss exposures for selected members of the Land Improvement Contractors of America. The Trust was placed in conservation by a court order entered on August 19, 1999. By an agreed court order entered on October 21, 1999, the Trust was placed in rehabilitation. On October 26, 2000, an Agreed Order of Liquidation with a Finding of Insolvency was entered against the company.

The claim filing deadline was October 26, 2001, with the contingent claim date being October 28, 2002. A total of 2,368 proof of claim forms were mailed to potential claimants, of which 658 have been filed with the liquidator.

A lawsuit has been filed against the directors and officers for breach of fiduciary duties, negligence and mismanagement and against the former administrator, alleging negligence and mismanagement.

Contractual assessments have been issued by the liquidator to all members of the Trust in order to fund the Trust's outstanding claim and policy obligations. Litigation is proceeding in various Illinois state courts to collect the assessments from many of the Trust's members. The State of Illinois has also issued statutory assessments against members of the Trust.

### **Illinois Electrical Employers Workers Compensation Association, Inc.**

The Association was organized in 1995, pursuant to the Illinois Workers' Compensation Act and Section 305 of the Illinois Insurance Code for the purpose of administering a program of group self-insurance for workers' compensation loss exposures for selected members of the Professional Electrical Contractors Association of Chicago. The Association was placed in rehabilitation by an agreed court order entered on December 20, 1999. On November 3, 2000, an Agreed Order of Liquidation with a Finding of Insolvency was entered against the company.

The claim filing deadline was November 5, 2001, with the contingent claim date being November 4, 2002. A total of 332 proof of claim forms were mailed to potential claimants, 86 of which have been filed with the liquidator.

A lawsuit has been filed against the former administrator, alleging negligence and mismanagement. Contractual assessments have been issued by the liquidator to all members of the Association in order to fund the Association's outstanding claim and policy obligations. Litigation is proceeding in various Illinois state courts to collect the assessments from many of the Association's members.

### **Illinois Environmental Service Workers Compensation Trust**

The Trust was organized in 1991, pursuant to the Illinois Workers' Compensation Act and Section 305 of the Illinois Insurance Code, for the purpose of administering a program of group self-insurance for workers' compensation loss exposures for selected members of the Illinois Association of Environmental Service Companies. The Trust was placed in conservation by a court order entered on July 31, 2000. On March 22, 2001, an Order of Liquidation was entered.

The claim deadline is March 22, 2002, with the contingent claim date being March 24, 2003. A total of 2,484 proof of claim forms were mailed to potential claimants, of which 213 have been filed with the liquidator.

A lawsuit has been filed against the former administrator, alleging negligence and mismanagement. Contractual assessments have been issued by the liquidator in order to fund the Trust's outstanding claim and policy obligations. Litigation is proceeding in various Illinois state courts to collect the assessments from many of the Trust's members.

### **Illinois Healthcare Insurance Company**

This domestic life, accident and health company was placed under an Agreed Order of Liquidation with a Finding of Insolvency on June 30, 2000, by the Circuit Court of Cook County, Illinois.

The claim filing deadline was December 28, 2001. A total of 83,973 proof of claim forms were mailed to potential claimants, of which 1,563 have been filed with the liquidator.

### **Illinois Insurance Company**

An Agreed Order of Liquidation with Finding of Insolvency was obtained against Illinois Insurance Company on July 9, 1999. The company, a domestic property and casualty company, is owned by North American Holdings, Inc., which acquired the company from North American Warranty Services in 1994. They, in turn, had acquired the company as essentially a shell from the estate of Millers National Insurance Company, in Liquidation in 1993.

The claims filing deadline was July 10, 2000, with a contingent claim date of July 10, 2001. A total of 12,896 proof of claim forms were mailed to potential claimants and 653 have been filed with the liquidator. Early access distributions totaling \$817,834 have been made to the Illinois Insurance Guaranty Fund for administrative expenses.

### **Inland American Insurance Company**

On September 11, 1997, Inland American Insurance Company, a domestic property and casualty company, was placed under an Order of Conservation. On September 19, 1997, an Agreed Order of Liquidation with a Finding of Insolvency was entered against the company in the Circuit Court of Cook County, Illinois. All outstanding shares of common stock are owned by Inland Investors, L.P., a limited partnership domiciled in Illinois.



The claims filing deadline was September 21, 1998, with a contingent claim date of September 19, 1999. A total of 4,585 proof of claim forms were mailed to potential claimants and 984 were filed with the liquidator. Early access distributions of \$1,265,727 have been made to the Illinois Guaranty Fund for administrative expenses.

### **Inter—American Insurance Company of Illinois**

On December 23, 1991, an Agreed Order of Liquidation with a Finding of Insolvency was entered in the Circuit Court of Cook County against Inter-American Insurance Company of Illinois. The company is a wholly-owned subsidiary of the Beaven/Inter-American Companies, Inc., a Delaware holding company. Inter-American was a domestic life, accident and health insurer and had been under the control of the Illinois Director of Insurance since an Order of Conservation was entered on October 25, 1991.

The claims filing date was December 23, 1992. A total of 38,322 proof of claim forms were mailed. To date, 10,933 have been filed. Early access distributions of \$30,767,969 have been made to various guaranty associations for both administrative expenses and claim benefits. In 2001 an interim distribution of \$12,154,494.45 was made to the policyholders.

The liquidator is working with the IRS to resolve the open tax issues in this estate. In addition, the liquidator is pursuing arbitration and litigation against reinsurers.

### **Intercontinental Insurance Company**

On December 12, 1989, Intercontinental Insurance Company, a domestic property and casualty company, was placed under an Order of Conservation. On January 12, 1990, an Agreed Order of Liquidation with a Finding of Insolvency was entered against the company in the Circuit Court of Cook County, Illinois. Intercontinental Insurance Company is a wholly-owned subsidiary of Intercontinental Financial Group of North America.

The claims filing date was July 12, 1991, with the contingent claim date being July 13, 1994. A total of 70,136 proof of claim forms were mailed. To date, 24,167 have been filed. Early access distributions of \$13,846,756 have been made to various guaranty funds for both administrative expenses and claim benefits.

### **Kenilworth Insurance Company**

Kenilworth Insurance Company was placed under an Agreed Order of Liquidation with a Finding of Insolvency in the Circuit Court of Cook County, Illinois, on April 20, 1982.

Level A claims were paid at 100%, in the amount of \$3,251,657. A 16.58% pro rata distribution was made to the policyholders, in the amount of \$1,885,618. The estate was closed on February 7, 2001.

### **Medcare HMO, Inc.**

An Order of Conservation was entered against Medcare HMO, Inc. on December 22, 1992, in the Circuit Court of Cook County Illinois. Medcare was incorporated on November 16, 1984, and certified as an Health Maintenance Organization (HMO) on October 1, 1985.

On June 3, 1992, Medcare filed a voluntary petition for bankruptcy in the federal courts. The Illinois Director of Insurance moved to dismiss the bankruptcy action, but his motion was rejected. However, an appeal by the Director was upheld and on December 3, 1992, the bankruptcy action was dismissed. The Director then petitioned the state court to seize control of Medcare, resulting in the Order of Conservation. Simultaneously, the Director petitioned the court for liquidation of Medcare. An Order of Liquidation was issued on January 4, 1993. This was not an agreed order, but rather a non-contested default.

Approximately 49,905 claim forms were mailed, of which 2,072 were filed with the liquidator. The claims filing deadline was January 4, 1994. Early access distributions of \$7,162,415 have been made to the Illinois HMO Guaranty Association for both administrative expenses and claim benefits.

### **Merit Casualty Company**

Merit Casualty Company, a domestic property and casualty insurer, was placed under an Agreed Order of Rehabilitation on December 19, 1994.

The Plan of Rehabilitation contemplated running off Merit's existing business over a six year period. To that end, a new Merit Insurance Company was formed, and the profits of that company were used to pay the claims of Merit Casualty Company.

On December 14, 1996, the court approved the rehabilitator's Amended Plan of Rehabilitation. The Amended Plan contemplated, among other things, the sale, by Merit Casualty, of all the issued and outstanding common shares of Merit Insurance Company to Pembroke Insurance Services Corporation.

Based upon a subsequent examination of the claim liabilities of the company, the rehabilitator determined that a successful rehabilitation of Merit Casualty was no longer feasible and that conditions existed that would justify a court order for the liquidation of Merit Casualty. An Agreed Order of Liquidation with a Finding of Insolvency was entered on April 1, 1997.

The claim filing deadline was April 1, 1998, with a contingent claim date of April 1, 1999. Of the 10,863 proof of claim forms mailed, 1,663 were filed with the liquidator. Early access distributions of \$2,391,229 have been made to various guaranty funds, for both administrative expenses and claim benefits.

### **Millers National Insurance Company**

An Order of Conservation was entered against Millers National Insurance Company on May 17, 1990. An Agreed Order of Rehabilitation was entered against Millers, a domestic fire, property and casualty company, on February 4, 1992. Subsequently, a petition for an Order of Liquidation was filed February 17, 1993. An Agreed Order of Liquidation with a Finding of Insolvency was issued on May 11, 1993. Millers is owned by Forum Holdings, U.S.A., Inc., an insurance holding company which in turn is owned by The Group, Inc., of Concord, Massachusetts.

Both Forum Holdings, U.S.A., Inc., and The Group filed petitions under Chapter 11 of the U.S. Bankruptcy Code on June 15, 1990. Two companies affiliated with Millers through common ownership—Oil and Gas Insurance Company (OH) and Petrosurance Casualty Company (OK)—were placed in liquidation. Subsequently, Petrosurance was sold to outside parties and taken out of liquidation. Millers' wholly-owned subsidiary, Illinois Insurance Company, was placed in conservation simultaneously with Millers, and subsequently sold.

The claims filing deadline was set for May 11, 1994. A total of 5,930 proof of claim forms were mailed and 836 have been filed with the liquidator. The contingent claims filing deadline was May 11, 1995. Early access distributions of \$7,533,475 have been made to various guaranty funds for both administrative expenses and claim benefits. A 100% policyholder level distribution of \$2,130,310.74 also was made, on September 22, 1999. In addition, a \$25,000 distribution was made to class E claimants in 2001.

### **National Assurance Indemnity Company**

National Assurance Indemnity Company, a domestic property and casualty company and a member of the Coronet Insurance Group, was ordered into conservation on December 10, 1996. National Assurance is a wholly owned subsidiary of Coronet Insurance Company, which was placed in liquidation on December 24, 1996. National Assurance's subsidiary, Crown Casualty, was also placed in conservation on December 10. On January 3 and January 31, 1997, respectively, National Assurance and Crown were placed in liquidation. The liquidation orders were not agreed, but rather non-contested defaults.

The claims filing deadline was January 5, 1998, with a contingent claim date of January 5, 1999. Of the 8,505 proof of claim forms mailed, 469 were filed with the liquidator. Early access distributions of \$14,989 have been made to the Illinois Guaranty Fund for administrative expenses.

### **Optimum Insurance Company**

Optimum Insurance Company of Illinois, a domestic property and casualty insurance company, was placed in conservation by court order on December 28, 1984. Optimum was an affiliate of Ideal Mutual Insurance Company, an insurance corporation domiciled in the State of New York. Ideal Mutual Insurance Company was placed in rehabilitation by court order entered in the State of New York on December 26, 1984, and in liquidation by court order entered on February 7, 1985.

On January 3, 1985, Optimum Insurance Company of Illinois was placed in rehabilitation by court order. Following unsuccessful efforts to rehabilitate the company, the Circuit Court of Cook County, Illinois, issued a final Agreed Order of Liquidation with a Finding of Insolvency on May 5, 1986.

A total of 12,524 proof of claim forms were mailed, of which 3,984 were filed with the liquidator. The final date for filing proof of claim forms with the liquidator was May 4, 1987, with the requirement that contingent claims be liquidated by December 29, 1989. Early access distributions of \$4,397,424 have been made to the Illinois Insurance Guaranty Fund for administrative expenses.

### **Pine Top Insurance Company**

Pine Top Insurance Company, a domestic property and casualty insurance company, its sole stockholder being Greyhound Corporation (Dial Corp), was placed in conservation by a court order entered on June 18, 1986. On June 23, 1986, Pine Top was placed in rehabilitation by court order. Following unsuccessful efforts to rehabilitate the company, the Circuit Court of Cook County, Illinois, issued a final Agreed Order of Liquidation with a Finding of Insolvency on January 16, 1987.

Of the 105,080 proof of claim forms mailed, 21,703 have been filed with the liquidator. The final date for filing proof of claims with the liquidator was January 17, 1989. The contingent claims liquidation date was extended to January 17, 1992. Early access distributions of \$3,193,491 have been made to various guaranty funds for administrative expenses and claim benefits.

In 1996 a 50% partial policyholder distribution of approximately \$13 million was made. A second 50% distribution was made on December 30, 1999, in the amount of \$13,415,677.55. Another \$3 million in early access distributions was made to the Arizona and Illinois guaranty funds.

### **Prestige Casualty Company**

An Order of Liquidation with a Finding of Insolvency was entered against Prestige Casualty Company on July 26, 1994, in the Circuit Court of Cook County, Illinois. Prestige had previously been under an Order of Conservation since April 18, 1994. The liquidation proceedings were adversarial. Prestige, a domestic property and casualty company, is a wholly-owned subsidiary of Comet Motor Club, Inc., which in turn is a wholly-owned subsidiary of the Hallmark Holding Group.

A total of 50,603 proof of claim forms were mailed and 10,335 have been filed with the liquidator. The claims filing deadline was July 26, 1995, and the contingent claims filing deadline was July 26, 1996. Early access distributions of \$7,405,752 have been made to various guaranty funds for administrative expenses.

### **RCA Syndicate #1, Ltd.**

An Order of Conservation was obtained against RCA Syndicate #1, Ltd. on May 1, 2000. An Order of Liquidation with a Finding of Insolvency was entered on June 5, 2000. A member of the Illinois Insurance Exchange (a/k/a INEX), RCA is a wholly owned subsidiary of L&W Holdings, Inc., a Nevada domiciled insurance holding company.

The claims filing deadline was June 5, 2001. A total of 733 proof of claim forms were mailed to potential claimants and 219 have been filed with the liquidator. The outcome of the litigation referenced in the "Geneva Assurance Syndicate" section of this report will be an important factor in determining the amount of funds available for distribution to RCA claimants.

### **Resure, Inc.**

Resure Inc. was placed in conservation on February 18, 1997. On February 27, 1997, the Cook County Circuit Court issued an Agreed Order of Liquidation with a Finding of Insolvency for this company, which is a member of the Illinois Insurance Exchange (a/k/a INEX). Resure is owned by Talon Re Holdings, Inc., which acquired its ownership on December 31, 1993, through a merger with the former owner, Talon Re, Inc.

The claims filing deadline was February 27, 1998, with a contingent claim date of March 1, 1999. Of the 22,566 proof of claim forms mailed, 4,536 were filed with the liquidator.

The outcome of the litigation referenced in the "Geneva Assurance Syndicate" section of this report will be an important factor in determining the amount of funds available for distribution to Resure claimants.

### **River Forest Insurance Company**

An Order of Conservation was issued against River Forest Insurance Company on December 16, 1993, by the Circuit Court of Cook County, Illinois. Subsequently, an Agreed Order of Liquidation with a Finding of Insolvency was issued on March 18, 1994. River Forest, a domestic property and casualty company, is a wholly owned subsidiary of NISA Corporation.

A 19.26% level A distribution was made to the Illinois Insurance Guaranty Fund, in the amount of \$1,556,810. The estate was closed on November 26, 2001.

### **State Security Insurance Company**

On April 29, 1993, an Order of Conservation was entered in the Circuit Court of Cook County, Illinois, against State Security Insurance Company, a domestic property and casualty company. State Security is a wholly-owned subsidiary of W.F. Financial Corporation, an Illinois insurance holding company. On June 16, 1993, an Agreed Order of Liquidation with a Finding of Insolvency was entered against State Security.

The claims filing date was July 16, 1994, and the contingent claims filing deadline was July 16, 1995. Of the 47,120 proofs of claim mailed, 5,176 have been filed with the liquidator. Early access distributions of \$850,000 have been made to various guaranty funds for administrative expenses.

### **United Capitol Insurance Company**

United Capitol Insurance Company, a domestic property and casualty insurer, was placed in liquidation on November 14, 2001. United Capitol is a wholly owned subsidiary of United Capitol Holding Company, Incorporated, a Delaware insurance holding corporation, which in turn is wholly owned by Frontier Insurance Company of Rock Hill, New York. Frontier was placed in rehabilitation by the New York Department of Insurance on August 27, 2001. Both companies are members of Frontier Insurance Group.

The claims filing deadline is November 14, 2002, and the contingent claim date is November 14, 2003.

### **United Fire Insurance Company**

United Fire Insurance Company, a domestic property & casualty and accident & health insurer, was placed in conservation on July 29, 1988, by order of the Circuit Court of Cook County, Illinois. It was owned by United Diversified Corporation, an insurance holding company which was controlled by Towers Diversified Corporation of New York City. The Director determined that the company was insolvent and on September 1, 1988, filed his Complaint for Liquidation with a Finding of Insolvency. After extended hearings, an Order of Liquidation with a Finding of Insolvency was issued on March 3, 1989, for both United Fire and its parent, Associated Life Insurance Company.

In 1992, a settlement was reached in favor of United Fire in a suit against certain former officers and directors of the company including allegations of violations of the Racketeer Influenced and Corrupt Organization Act and dissipation of company funds. The former controlling person of these companies, as well as Towers, has since been incarcerated in federal prison, in part as a result of this insolvency.

Level A claims were paid at 100% for a total amount of \$2,597,612. A 68% policyholder distribution was made, in the amount of \$7,055,008. The estate was closed on June 22, 2001.

## Closed Companies

	Conservation (C), Liquidation (L), or Ancillary Receivership (A)	Dismissal Date	Destruction of Records Date
Amalgamated Labor Life Ins. Co.	07/05/89 (L)	12/29/99	Dec., 2002
American Association of Trauma Specialists	12/01/80 (L)	10/27/86	Feb., 1995
American Mutual Liability Ins. Co.	03/09/89 (A)	05/18/93	No Company Records
American United Casualty Co., Inc.	12/09/94 (L)	12/09/93	(N/A)
Associated Life Insurance Company	03/03/89 (L)	12/07/00	Dec., 2001
Cadillac Insurance Company	01/02/90 (A)	10/29/96	No Company Records
Chicago Care, Inc.	04/08/87 (L)	12/27/89	Nov., 1995
Complete Health Care Corp.	11/05/90 (L)	11/15/97	June, 1999
Continental Fire/First Chicago Group	10/26/94 (L)	03/14/95	Oct., 1999
Cooperative Health Plan	03/29/89 (L)	08/24/94	June, 1999
Edison Insurance Company	02/20/91 (L)	02/23/02	Feb., 2004
Equity Funding Life Ins. Co.	10/10/74 (L)	10/12/87	No Company Records
Fidelity General Insurance Co.	12/04/70 (L)	12/14/89	Feb., 1995
Georgetown Life Insurance Co.	11/05/90 (L)	11/15/97	June, 1999
Globe Indemnity	01/27/95 (L)	12/09/97	Dec., 2000
Health Plan of Central Illinois	03/22/91 (L)	08/06/98	Aug., 2001
Heartland Casualty Company	01/24/91 (L)	03/30/95	May, 1999
Heritage Insurance Company	02/25/86 (L)	03/14/00	Mar., 2003
Homeowners Insurance Company	04/07/71 (L)	04/24/89	Feb., 1995
Ideal Mutual Insurance Company	02/07/85 (A)	11/24/93	No Company Records
Industrial Fire and Casualty Co.	03/06/91 (L)	12/03/97	Dec., 2000
INEX Insurance Services	02/08/94 (L)	08/02/95	Aug., 1998
Iowa State Travelers Mutual Assurance Company	02/23/83 (A)	05/21/91	No Company Records
Kenilworth Insurance Company	04/20/82 (L)	02/07/01	March, 2002
LaSalle Nat'l Insurance Company	04/08/71 (L)	10/12/90	Feb., 1995
Life Assurance Company of Pennsylvania	05/09/91 (A)	07/06/95	No Company Records
Main Insurance Company	06/22/82 (L)	12/30/86	Dec., 1994
Market Insurance Company	12/16/80 (L)	06/06/95	Oct., 1999

	<b>Conservation (C), Liquidation (L), or Ancillary Receivership (A)</b>	<b>Dismissal Date</b>	<b>Destruction of Records Date</b>
Mid-American Insurance Company	02/29/96 (L)	06/01/97	Dec., 2000
Mile Square Health Plan of IL	01/25/89 (L)	09/01/93	Nov., 1996
Missouri General Insurance Co.	09/12/75 (L)	02/25/82	March, 1995
Modern Life Insurance	08/03/83 (L)	12/31/86	Nov., 1995
Multicare HMO	06/19/91 (L)	06/10/96	Jan., 2000
Multi-State Insurance Exchange	09/11/64 (L)	12/17/81	March, 1995
National Health Care Trust	02/09/82 (L)	09/02/93	Nov., 1996
National Investors Life Ins. Co.	09/28/83 (A)	02/27/90	No Company Records
North American/Commercial Inland	09/23/93 (L)	05/19/97	May, 2000
Patriot Life Insurance Company	08/23/89 (L)	06/19/95	June, 1999
Penta-Plan/Share	02/03/88 (L)	02/11/92	June, 1999
Progressive General Ins. Co.	03/20/68 (L)	03/26/81	March, 1995
Provident Insurance Company	01/09/91 (L)	12/28/94	June, 1999
Prudence Mutual Casualty Co.	02/07/70 (L)	05/21/91	Feb., 1995
Reserve Insurance Company	05/29/79 (L)	10/20/98	Mar., 2000
River Forest Insurance Company	03/18/94 (L)	12/21/01	Nov., 2002
Security Casualty Company	12/04/81 (L)	12/20/00	Dec., 2001
Standard Burial Insurance Assoc.	06/10/87 (L)	11/11/91	(N/A)
Supreme Life Insurance Company	07/12/95 (L)	05/12/00	May, 2001
Total Health Care, Inc.	06/06/88 (L)	09/14/93	Nov., 1996
Trans-Pacific Insurance Company	10/13/94 (A)	02/27/97	No Company Records
United Diversified Corporation	06/08/92 (L)	08/10/98	Aug., 2001
United Fire Insurance Company	03/03/89 (L)	06/22/01	June, 2002
United Equitable Life Ins. Co.	12/20/91 (L)	12/14/00	Dec., 2001
United Savings Life Ins. Co.	08/27/86 (L)	12/28/88	Nov., 1995
Unity HMO	10/04/91 (L)	12/20/94	Feb., 1999
University Life Insurance Co.	09/23/83 (L)	08/23/89	No Company Records
Yorktown Indemnity Company	02/07/89 (L)	09/29/95	June, 1999

The Transactions Summary of Cash and Invested Assets represent cash and invested assets of companies in receivership during the calendar year ending December 31, 2000. These tabular listings are presented in accordance with the methods of accounting employed by the Office of the Special Deputy Receiver and are not in accordance with Generally Accepted Accounting Principals (GAAP). Special reports, audited in accordance with Generally Accepted Audited Standards (GAAS), are issued separately annually, as provided by Article XIII of the Illinois Insurance Code.

**Office of the Special Deputy Receiver  
Cash and Invested Assets–Transactions Summary  
January 1, 2001 through December 31, 2001**

<b>Estate</b>	<b>Beginning Cash and Invested Assets<sup>(1)</sup></b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Net Realized/Unrealized Appreciation/Depreciation in Investments</b>	<b>Ending Cash and Invested Assets<sup>(1)</sup></b>
AAI Syndicate, Inc.	\$ 2,584,068	\$ 911,368	\$ 352,087	\$ 14,758	\$ 3,158,107
Agora Syndicate, Inc.	709,103	699,069	549,253	132,382	991,301
Alliance General Insurance Company	7,904,907	3,315,212	2,676,909	–658,109	7,885,101
Alpine Insurance Company	2,193,820	3,370,814	2,055,418	–60,383	3,448,833
American Health Care Providers	9,732,710	1,578,581	2,567,150	107,492	8,851,633
American Mutual Reinsurance Company	101,488,830	13,960,772	11,701,566	2,213,342	105,961,378
American Unified Life & Health Company	2,275,867	135,984	447,036	5,635	1,970,450
Associated Physicians Insurance Company	1,589,221	111,246	186,664	16,331	1,530,134
Back of the Yards Risk Mgmt Assoc.	460,410	1,328,966	573,438	9,099	1,225,037
Centaur Insurance Company	95,020,759	7,635,240	11,666,538	312,765	91,302,226
Coronet Insurance Company	5,467,890	641,416	1,455,115	2,843,206	7,497,397
Crown Casualty Company	1,074,114	75,713	57,589	6,847	1,099,085
Delta Casualty Company	5,270,634	2,539,278	36,627	–9,409	7,763,876
Edison Insurance Company	407,573	449,313	813,297		43,589
Equity General Insurance Company	3,180,811	1,400,210	516,187	30,647	4,095,481
First Oak Brook Corporation Syndicate	5,925,309	2,317,011	690,360	41,015	7,592,975
Geneva Assurance Syndicate, Inc.	6,516,615	3,698,227	279,256	87,102	10,022,688
Illinois Earth Care Workers Comp. Trust	48,798	1,100,644	484,508	–226	664,708
Illinois Electrical Employers WC Assoc., Inc	13,868	175,495	110,007	4,202	83,558
Illinois Environmental Services WC Comp Trust	536,380	260,803	203,951	–8,417	584,815
Illinois Healthcare Insurance Company	8,572,427	956,570	832,636	113,197	8,809,558
Illinois Insurance Company	3,241,325	657,959	1,038,276	41,655	2,902,663
Inland American Insurance Company	1,085,328	90,447	426,265	4,707	754,217
InterAmerican Insurance Company	31,764,459	2,825,817	14,215,055	123,322	20,498,543
Intercontinental Insurance Company	3,905,060	313,258	438,625	30,146	3,809,839
Kenilworth Insurance Company	1,926,450	54,647	1,891,150	182	90,129
Medcare HMO	3,755,462	1,125,655	77,528	30,383	4,833,972
Merit Casualty Insurance	681,453	601,914	236,797	1,833	1,048,403
Millers National Insurance Company	6,599,231	511,174	215,348	24,222	6,919,279
National Assurance Indemnity Company	1,079,349	76,117	45,148	6,943	1,117,261
Optimum Insurance Company of Illinois	1,624,502	1,634,002	695,822	–1,177	2,561,505
Pine Top Insurance Company	34,596,146	6,058,966	1,860,201	220,874	39,015,785
Prestige Casualty Company	5,563,939	412,242	662,514	22,880	5,336,547
RCA Syndicate #1 Ltd.	64,604	40,317	115,622	0	–10,701
Resure, Inc.	8,838,838	1,178,916	459,116	113,709	9,672,347
River Forrest Insurance Company	867,463	147,612	988,338	–739	25,998
State Security Insurance Company	591,508	62,403	199,355	–867	453,689
United Fire Insurance Company	3,586,451	357,349	3,927,100	1,344	18,044
United Capitol Insurance Company <sup>(2)</sup>	0				0
<b>Total Cash and Invested Assets</b>	<b><u>\$370,745,682</u></b>	<b><u>\$62,810,728</u></b>	<b><u>\$65,747,852</u></b>	<b><u>\$5,820,893</u></b>	<b><u>\$373,629,451</u></b>

(1) Invested assets are reported at market value.

(2) Assets and transactions are not available at this time.



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